

**EXECUTIVE SECRETARIAT****Routing Slip**

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14	D/OPP				
15	C/EAS/OPP				
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SUSPENSE 14 January  
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Remarks:

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Executive Secretary  
11 Jan 82  
Date

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## American Management Systems, Inc.

82-4070

Ivan Selin  
Chairman

January 6, 1982

Mr. William Casey  
Director  
Central Intelligence Agency  
Washington, D.C. 20505

Dear Mr. Casey:

The Military Economic Advisory Panel held its fall meeting on October 30 and 31. I have already sent you correspondence concerning one item discussed at that meeting -- the CIA and DIA petroleum estimates. Enclosed is a report on other topics that I think will interest you.

The new topics discussed in the fall meeting appear to be proceeding satisfactorily. We were very pleased at the general thrust of the NFAC reorganization along regional lines. We have long pushed for better integration of analyses across disciplines (military; economic; political) and believe that the regional organization will help to further break down these artificial barriers. In line with this general trend, we received a presentation concerning Soviet national income accounts which was workmanlike and thorough, and in particular suggests little problem in integrating the former OSR work on the Soviet Defense economy with the former OER work on the over-all Soviet economy.

We welcomed the opportunity of having Dr. Henry Rowan, the Chairman of the Intelligence Council, meet with the Panel for a discussion of research issues of common interest. One topic of growing concern for the Panel which emerged in this discussion is the deterioration of "quality of life" in the USSR. The topic covers the lower consumption standards, worsening demographic situation, serious problems with health services, expansion of "the second (underground) economy", corruption and graft, increasing alcohol abuse, and the like. It appears that the Office of Soviet Analysis has not yet fully focused on the topic and there are conflicting views of the research agenda. We believe that this is an important topic with both economic and political implications, which deserves a serious, well-focused research effort. We intend to pursue these issues with the Office of Soviet Analysis in the next few months.

Work appears quite satisfactory on recalculating dollar-ruble ratios and revaluing Soviet gross domestic product and the defense share. We were pleased to hear the plans for a conference in December on the "Price Change in the Soviet Defense Sector".

Mr. William Casey  
January 6, 1982

Page Two

We discussed the SEEK program with its director and were impressed with the considerable difficulties involved, including those of locating people once they came to the U.S. There is some uncertainty about the degree to which the potential and actual information from this unique source is used. With respect to external use we believe there are opportunities through the use of privacy-preserving statistical techniques. One of our panel members -- Professor Lapides -- has well developed ideas on this topic that she could share with the appropriate officials.

Two important topics addressed in my letter to you last spring remain worthy of comment. The first was the need of an indicators strategy -- an explicit attempt to define and develop the factors we should look for, to indicate how the Soviets will eventually resolve their "guns versus butter dilemma". Such factors relate to developments within both the defense and civil sectors. Events indicating continued deterioration of Soviet economic growth prospects and the sharpening of the guns-butter dilemma underscore the importance of an indicators watch.

The second topic is the continued need for a sophisticated but lay document discussing the uses and limitations of dollar/dollar and ruble/ruble comparisons, the relative advantages of comparisons of inputs with comparison of outputs, etc. as I discussed at length in my June 22 letter to you. We discussed such a paper with Agency officials at the October meeting, and feel more strongly than ever that such a paper is necessary and should be specifically commissioned and scheduled.

The last topic I would like to cover is the one we have discussed several times -- the use of other than career analysts to supplement or replace Agency intramural efforts in a number of areas. Two general observations are in order: First, your order tightening up the preparation and distribution of unclassified estimates is being followed with such exaggerated zeal that the CIA risks cutting itself off from many of the sources of information and expertise that it needs to function effectively. (I have some suggestions on how to focus these restrictions on estimates, not on analyses, exchanges of data, communications, attendance at open meetings, etc.) Second there still is some complacency in parts of NFAC about how little they need or can benefit from outside help. I think that that attitude is counterproductive now and will be so increasingly in the 1980s. Enclosed is a paper on this specific topic which is an expanded and modified version of the paper I sent you in September.

Sincerely,



Enclosure

POSSIBLE WAYS OF EXPANDING USE OF OUTSIDE EXPERTISE ON QUESTIONS OF POLITICAL  
AND ECONOMIC ANALYSIS

This paper contains suggestions based on the following hypotheses:

1. Even in substantive areas where classified information is important, such as Soviet economic and political analysis, outside experts working from unclassified material can very usefully supplement the work of CIA analysts.

2. In areas where classified material is not particularly germane, it is most probable that outside experts are in as good or better a position than CIA analysts, and CIA should try to use and build on the work of outside experts.

3. It is going to become increasingly difficult for the CIA to hire and/or train Soviet experts, as the pool of analysts and students who can read Russian decreases. Therefore the CIA will have to resort to novel methods to hire or otherwise attract Soviet experts.

Possible measures:

1. In studies relating to Communist countries:

- a. Encourage attendance and presentation of papers by Agency personnel at professional meetings. (Peer acceptance of Agency analysts would also help recruiting). Conference attendance and open publications are critical components of professional self-identification. Curtailment of the practice would surely impose a severe penalty in recruitment. It is true that the issue has been relevant mostly for OER and only to a lesser extent for OSR and OPA. However, the practice should be encouraged more widely, to the extent compatible with maintaining a coherent research plan. That means providing a clear and expeditious mechanism of clearance, funds for conference attendance, typing assistance, and ideally, some release time for paper preparation. It cannot be over-emphasized that this is vital for recruitment of a quality staff.
- b. Not only should staff members attend others' conferences, but the Agency should itself sponsor and organize professional meetings, small and large. This is a way of getting Agency people in contact with the outside world on which they are reporting, as well as of getting external help directly or indirectly for the improvement of the research product. It would be particularly useful to plan such meetings sufficiently in advance of the preparation of major papers in-house (e.g., SNIEs) to enable the outside stimulus to affect the internal product.
- c. Engage more fully in refereed forums. Professional papers are normally presented for peer review at meetings and then refereed before publication. CIA-prepared papers would benefit from this process. If you were willing to clear consultants, even classified papers could be refereed (like the petroleum estimate).

- 2 -

- d. Establish guidelines for publication of unclassified analyses and data (but not estimates).
- e. I understand that there is no longer a central clearing house for a listing of articles translated from Soviet press and publications. Clearly the Agency has an interest in such a service, and could usefully provide it to Soviet scholars outside.
- f. There are a number of topics dealing with Soviet demographics and sociology that are hard for the Agency to deal with, but for which talent exists elsewhere (i.e. at the Department of Commerce). There has been a decrease in Soviet life expectancy, an enormous increase in alcoholism, more Soviets than Americans die in vehicle accidents even though we have 12 times as many vehicles, and the "second" or black market economy has become a major part of Soviet economic life. The Agency may wish to commission, organize and/or fund interdepartmental work.

## 2. In Non-Communist Studies:

- a. There are many topics involving parallel analysis of Western and communist economics on which the Agency is likely to be asked for an opinion but for which it will require help -- such as the impact on German-Russian interdependence of a new gas-pipeline. My colleagues tell me that the political economy of Europe is an area which attracts a growing number of scholars, and that there are a number of centers of excellence that might participate in a joint project.
- b. I believe that in the non-communist areas the Agency will inevitably have to use contract research for economic and perhaps for political analyses as well. The budget for extramural research has always been low and been the first one cut, a practice that will have to be reversed if the regional groups (other than USSR) in the new NFAC organization are to be able to accomplish their work.

## 3. Recruiting

In recruiting the key point is to set up jobs and goals for people whose interest in the CIA is for less than a full career. One possible source is junior military officers with advanced training although the competition will be tough. A second is three-year internships for graduate students or post-doctoral appointments. The prospects for these people at universities is not very good, and thus they should be recruited aggressively. A third possibility would be one or two years of tuition in return for a number of years of service, as an inducement for recruiting top people at the B.A. level.